



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



MICHAEL P. FLANAGAN
SUPERINTENDENT OF
PUBLIC INSTRUCTION

MEMORANDUM

TO: Local and Intermediate School District Superintendents and Business Managers and Public School Academy Directors and Business Managers

FROM: Carol Wolenberg *CW*
Deputy Superintendent

DATE: April 4, 2008

SUBJECT: Indirect Cost Rates

The Michigan Department of Education is pleased to announce that current indirect cost rate information is now available at:

http://www.michigan.gov/mde/0,1607,7-140-6530_6605-118785--,00.html.

The new rate information includes Special Education rates for 2007-2008 and preliminary rate information for 2008-2009. Form R0418a, *Costs for the Development of 2008-2009 Federal Indirect Cost Rates* details the cost data used to calculate preliminary indirect cost rates. Form R0418, *Carryforward Calculation for 2007-2008 Federal Indirect Cost Rates* shows the results of the preliminary calculation. Form DS-4513, *Indirect Cost Rate Adjustments* is used to adjust and improve the data on the R0418a so the rate accurately represents the operations of the district. These forms are the starting point for the annual establishment of indirect cost rates to provide a mechanism for recovery of central administration costs as allowed by the United States Department of Education. The use of an indirect cost rate may also be allowed for state grants and grants from other federal agencies.

Note the due date for Form DS-4513. It is due by June 1, 2008. This due date is critical. As the Department continues to facilitate the grant application process through the Michigan Educational Grants System (MEGS), it is increasingly more important to have the indirect cost rates available timely. Your cooperation in this regard is appreciated.

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608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324

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When preparing the DS-4513 please remember to request an exclusion for the amount in excess of \$25,000 for any individual contract that exceeds \$25,000. Most districts that have been contracting for food service have not been requesting this exclusion, which could significantly increase rates.

In order to attain Federal approval for 2008-2009 the MDE has amended the carryforward calculation. If your district had an indirect rate above the corresponding cap in 2006-2007, it is ineligible for any underrecovery adjustment to the corresponding 2006-2007 indirect cost pool. Although this change will have a dramatic effect on the calculated rates of some districts, it is unlikely to have a significant impact. For districts that consistently show extremely high rates, they will see rates that will drop closer to, but likely remain above the cap.

If you have any questions or comments, please contact Phil Boone at (517) 335-4059 or by email at boonep2@michigan.gov.